

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L SECTION 01 OF 03 PARIS 26263

USOECD

E.O. 11652: GDS
TAGS: OECD, UNGA, CIEC
SUBJECT: XCSS "BUREAU" MEETING SEPTEMBER 8

SUMMARY: XCSS "BUREAU" MEETING WAS HELD SEPT. 8 AT
U.S. REPRESENTATIVE'S RESIDENCE. ATTENDING WERE:
BELGIUM (JOSEPH TROUVEROY); CANADA (MICHAEL BERRY),
DENMARK (OTTO MOELLER), FRANCE (HENRI FROMENT-MEURICE),
GERMANY (HELGA STEEG), ITALY (GIUSEPPE JACOANGELI),
JAPAN (AMB. HIRAHARA), UK (MICHAEL BUTLER), SWITZERLAND
(PAUL JOLLES, CHAIRMAN), EC (MANFRED CASPARI); OECD
(VAN LENNEP AND GERARD ELDIN). MEETING INCLUDED
DISCUSSION ON TACTICS ON NORTH/SOUTH AT THE RESUMED
31ST SESSION OF THE UN GENERAL ASSEMBLY; SUBSTANCE
OF A DC PROPOSAL FOR A COMMON FUND AND TACTICS AT
THE NOVEMBER NEGOTIATING SESSION; AND DISCUSSION ON
DEBT, ENERGY, TRADE AND THE MONITORING OF THE IMPE-
LEMENTATION CIEC SPECIAL ACTION PROGRAM. THE MEETING
CLOSED WITH A BRIEF DISCUSSION OF THE FUTURE WORK
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PROGRAM WITHIN THE XCSS MANDATE. THE NEXT XCSS
MEETING WAS SET FOR OCTOBER 4, JUST PRIOR TO IEA
MINISTERIAL MEETING. END SUMMARY.

UNGA TACTICS ON NORTH/SOUTH

IN DISCUSSION ON THE RESUMED 31ST US GENERAL ASSEMBLY,

THE XCSS "BUREAU" REACHED GENERAL AGREEMENT THAT THE DEVELOPED COUNTRIES COULD NOT ACCEPT A MORE NEGATIVE, LESS BALANCED JUDGMENT ON CIEC THAN THAT WHICH WAS AGREED AT THE JUNE MINISTERIAL AND LATER CONFIRMED BY MEMBER COUNTRIES AT OECD MINISTERIAL. WHILE AGREEING THAT SPECIFIC TACTICS SHOULD BE LEFT TO MISSIONS IN NEW YORK, THEY NOTED THAT THE LATEST LDC PROPOSED DRAFT RESOLUTION ON CIEC IS UNACCEPTABLE, AND THAT IT WILL PROBABLY BE DESIRABLE TO INTRODUCE A COUNTERDRAFT WHEN NEGOTIATIONS BEGIN IN NEW YORK NEXT WEEK. U.S. DELEGATE INFORMED GROUP THAT A DRAFT WAS CURRENTLY UNDER WAY IN WASHINGTON WHICH COULD BE TABLED IN TIME FOR THE RESUMED SESSION.

ON QUESTION OF NORTH/SOUTH OVERVIEW, U.S. DELEGATES SAID THAT LATEST G-77 DRAFT RESOLUTION SUGGESTED THAT VENEZUELAN PROPOSAL FOR A SPECIAL ECONOMIC COMMITTEE HAD VIRTUALLY NO G-77 SUPPORT. PARAS 8 AND 9 OF G-77 DRAFT -- GIVING OVERVIEW RESPONSIBILITY TO THE GENERAL ASSEMBLY AND ECOSOC -- SEEM BROADLY ACCEPTABLE. IT WAS GENERALLY AGREED, HOWEVER, THAT THE NEW LDC PROPOSAL (PARA 10) GOES TOO FAR IN ENVISIONING A ROLE FOR UNCTAD IN REVIEWING NORTH/SOUTH RELATIONS.

UK DELEGATE (MICHAEL BUTLER) EXPRESSED GREAT CONCERN, SHARED BY OTHER DELEGATES, THAT REFERENCES IN THE G-77
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DRAFT TO THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO) WERE UNACCEPTABLE. PARA 6 OF G-77 DRAFT SUGGESTS THAT IT IS ONLY THE DEVELOPED COUNTRIES THAT SHOULD RECONSIDER THEIR POSITION ON THE NIEO AND THAT THE DEVELOPING COUNTRIES HAVE NO RESPONSIBILITY FOR HELPING TO RESHAPE AN EVOLVING NIEO CONCEPT, PARA 12 REQUESTS THE SECRETARY GENERAL TO PUBLICIZE THE NIEO AND IMPLIES THAT WE ALREADY HAVE AN AGREED CONCEPTION OF THE NIEO WHICH IS SUSCEPTIBLE TO BEING PUBLICIZED. PARA 2 IS UNACCEPTABLE IN SAYING THAT CIEC FAILED TO REACH ANY AGREEMENTS WHICH COULD CONTRIBUTE TO THE ESTABLISHMENT OF THE NIEO. THIS IGNORES PROGRESS MADE ON THE COMMON FUND ISSUE.

RESPONSE TO A U.S. PROPOSAL FOR CAUCUS OF MEMBER

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COUNTRIES TO DISCUSS CIEC TACTICS IN NEW YORK OF MEMBER
COUNTRIES MET WITH MIXED REACTIONS FROM MEMBERS. WITH
ASSURANCES FROM U.S. DELEGATE THAT SUCH CAUCUS WOULD BE
LIMITED TO THE RESUMED 31ST SESSION AND FOR TACTICS
PERTAINING TO THE NORTH/SOUTH RESOLUTION, THERE WAS
SOME AGREEMENT THAT WITHIN THE G-8 CONTEXT IT WOULD
BE USEFUL. COORDINATION HOWEVER SHOULD CONSIST ONLY
OF ASSURING THAT INDIVIDUAL COUNTRIES SAID NOTHING
DIFFERENT FROM WHAT WAS SAID AT CIEC. PROPOSAL WILL
BE REPORTED TO CAPITALS FOR FURTHER REACTION.

THE CANADIAN DELEGATE INDICATED THAT TO CANADA'S
REGRET, DISCUSSIONS BETWEEN PEREZ-GUERRERO AND
MCEACHEN HAD NOT RESULTED IN AGREEMENT ON A COMMON
PRESENTATION, THAT EACH WOULD SPEAK ONLY FOR HIS
DELEGATION.

RE POSSIBLE EAST BLOC PARTICIPATION IN NORTH/SOUTH
RESOLUTION, THE FRENCH DELEGATE, BACK FROM RECENT
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DISCUSSIONS IN MOSCOW, REPORTED THAT MOSCOW WAS
EMBARRASSED BY THE POSSIBILITY OF PARTICIPATION IN
A RESOLUTION. THEY WOULD PREFER NO RESOLUTION ON
NORTH/SOUTH. HIS IMPRESSION WAS THAT THE EAST WOULD

NOT ALIGN ITSELF WITH THE LDC'S. IF A FINAL RESOLUTION TEXT HAS TOO MUCH ON CIEC, THEY WOULD ABSTAIN. IF NOT, THEY MIGHT BE ABLE TO GO ALONG.

COMMON FUND AND COMMODITIES

EXTENSIVE DISCUSSION CONCENTRATED ON SUBSTANCE OF A POSSIBLE INDUSTRIALIZED COUNTRY PROPOSAL FOR A COMMON FUND, TACTICS WITH REGARD TO THE NOVEMBER COMMON FUND NEGOTIATING SESSION, AND CURRENT PROSPECTS FOR FURTHER INDIVIDUAL COMMODITY AGREEMENTS.

ALL DELEGATIONS AGREED THAT IT WAS ESSENTIAL THAT INDUSTRIALIZED COUNTRIES HAVE A VIABLE, COHERENT PROPOSAL FOR A COMMON FUND AS A COUNTER TO THE G-77 PROPOSAL IN THE NOVEMBER NEGOTIATING SESSION. IT WAS AGREED THAT THE AD HOC GROUP CURRENTLY AT WORK ON THE COMMON FUND ISSUE SHOULD REMAIN THE PRIMARY VEHICLE FOR WORKING OUT TECHNICAL PROPOSALS. THE DISCUSSION REVEALED THAT VIRTUALLY ALL COUNTRIES NOW SEE A "POOLING" PROPOSAL WITH SOME SORT OF FINANCIAL BACK UP AS THEIR PREFERRED POSITION. U.S. DEL EXPLAINED THAT WE ARE LOOKING AT A NUMBER OF POSSIBILITIES FOR FINANCIAL BACK UP TO THE INITIALLY POOLED DEPOSITS OF THE ICA'S INCLUDING POSSIBLE TIES TO THE IBRD AND COMMERCIAL BORROWING AGAINST CALLABLE CAPITAL PLEDGED BY THE ICA'S. HE NOTED THAT U.S. IS STILL EXAMINING THE POSSIBILITY OF AN OVERDRAFT FACILITY WHICH UNDER EXTRAORDINARY CONDITIONS COULD PROVIDE A SOURCE OF CONFIDENTIAL

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LIQUIDITY TO ICA'S OVER AND ABOVE THEIR ORIGINALLY PLEDGED FINANCIAL CONTRIBUTIONS, BUT HE STRESSED THAT THIS IS NOT AN IDEA TO WHICH THE U.S. IS NECESSARILY COMMITTED.

U.S. DEL ALSO STRESSED THAT KEY ISSUE IN THE COMMON FUND NEGOTIATIONS WILL BE THE QUESTION OF VOTING AND DECISION MAKING. THE ISSUE OF CONTROL IS OF AT LEAST EQUAL IMPORTANCE TO THE QUESTION OF WHAT THE COMMON FUND WILL DO, AND INDUSTRIALIZED COUNTRIES MUST HAVE A CAREFULLY THOUGHT OUT POSITION ON THIS.

ALL DELEGATIONS AGREED THAT IT IS OBVIOUSLY NOT POSSIBLE TO CONCEIVE OF THE CONCLUSION OF NEGOTIATIONS ON A COMMON FUND IN THE NOVEMBER SESSION. HOWEVER VISIBLE PROGRESS MUST BE MADE ON CERTAIN KEY ISSUES OR THERE WILL BE AN ESCALATION OF POLITICAL RHETORIC. THE G-77 WILL STRESS MEASURES OTHER THAN POOLING AND U.S. DEL SUGGESTED THAT DEVELOPED COUNTRIES COULD CONSIDER SOME

SUCH MEASURES BEING UNDERTAKEN BY ICA'S THEMSELVES OR
BEING GIVEN RENEWED EMPHASIS IN CONNECTION WITH THE
PROPOSED CAPITAL INCREASES OF THE IBRD. U.S. DEL
FURTHER STRESSED THE IMPORTANCE OF BILATERAL CONTACTS
WITH KEY LDC'S TO PREPARE THE GROUND FOR THE NOVEMBER
SESSION. HE SAID THAT THE U.S. HAS IN FACT BEGUN SUCH
CONSULTATIONS WITH THE ASEAN COUNTRIES AND PLANS FURTHER
BILATERALS IN OCTOBER. IT WAS AGREED THAT THE SUBJECT
OF PREPARATORY

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BILATERALS SHOULD BE ADDRESSED AT THE NEXT MEETING
OF THE XCSS.

SEVERAL DELS NOTED THE IMPORTANCE OF PROGRESS IN THE
UNCTAD NEGOTIATIONS ON INDIVIDUAL COMMODITIES. IT
WAS GENERALLY AGREED THAT OF THE COMMODITIES NOW
UNDER EXAMINATION, RUBBER OFFERS THE BEST PROSPECT FOR
RELATIVELY EARLY AGREEMENT. SEVERAL DELEGATIONS NOTED
THAT THE INDUSTRIALIZED COUNTRIES' POSITION ON THE
COMMON FUND ISSUE WOULD BE SUBSTANTIALLY IMPROVED IF
WE CAN BEGIN TO SHOW VISIBLE PROGRESS IN THE WORK ON
INDIVIDUAL COMMODITIES.

DEBT

U.S. DELEGATE EXPLAINED DEBT QUESTION NEEDED TO BE
LOOKED AT FROM TWO POINTS OF VIEW: 1) THOSE
COUNTRIES THAT LOOK TO GENERALIZED DEBT RELIEF IN
ORDER TO OBTAIN TRANSFERS OF RESOURCES, AND 2) THOSE
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COUNTRIES THAT HAVE REAL DEBT MANAGEMENT PROBLEMS.
IT WAS THE U.S. VIEW THAT DEBT WOULD HAVE TO BE
DISCUSSED IN UNCTAD, BUT DISCUSSIONS THERE WOULD BE
DOMINATED BY COUNTRIES SEEKING RESOURCE TRANSFERS.
THEREFORE, U.S. WANTS TO DISCUSS U.S./EC DEBT PROPOSALS
IN IMF/IBRD DEVELOPMENT COMMITTEE, WHERE DEBT MANAGE-
MENT PROBLEMS COULD BE DISCUSSED SERIOUSLY. OTHER
DELEGATIONS (UK, EC, BELGIUM) WERE DOUBTFUL ABOUT
DISCUSSING DEBT IN BOTH PLACES, BUT BECAME LESS SO
WHEN U.S. POINTED OUT THAT A NUMBER OF DEVELOPING
COUNTRIES WITH DEBT PROBLEMS FAVORED DISCUSSION IN
DEVELOPMENT COMMITTEE.

ENERGY

U.S. DEL EXPLAINED THAT U.S. POSITION WAS TO TAKE A
LOW PROFILE ON CONTINUING DIALOGUE ON ENERGY. IF
RAISED BY G-77, U.S. WOULD EXPRESS INTEREST BUT WOULD
NOT INITIATE DISCUSSIONS. UK POINTED OUT IT WOULD BE
NECESSARY TO AVOID A NORTH/SOUTH OVERVIEW EXERCISE
THAT WOULD INCLUDE ENERGY. U.S. POINTED OUT THAT
IF SEPARATE ENERGY DIALOGUE COULD BE SET UP, THERE
WOULD BE NO OBJECTION TO INCLUDING ENERGY ALSO IN
OVERVIEW MECHANISM WITH OTHER NORTH/SOUTH ISSUES.
THIS WAS GENERALLY AGREED.

TRADE

CHAIRMAN RAISED TRADE ISSUE AND GERMAN DEL RAISED
QUESTION OF HOW TO DEAL WITH PREFERENTIAL TREATMENT
OF LDC'S AND MTN. UK AND EC DELS STRESSED IMPORTANCE
OF RECIPROCITY AND EXPRESSED CONCERNS ABOUT "OVER
COMPETITIVE" LDC'S.
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SPECIAL ACTION

BELGIAN DEL RAISED QUESTION OF MONITORING IMPLEMENTATION OF SPECIAL ACTION AGREED AT CIEC. BOTH DAC AND XCSS WERE MENTIONED AS POSSIBLE MONITORING MECHANISMS.

FUTURE WORK

CHAIRMAN REVIEWED MANDATE OF XCSS WHICH PROVIDES FOR OVERVIEW AND COORDINATION OF EXTERNAL POLICY ISSUES NOT ADEQUATELY DEALT WITH BY SEPARATE OECD COMMITTEES. CHAIRMAN AND SECRETARY GENERAL SUPPORTED BY GERMAN DEL INVITED DELEGATES TO CONSIDER POSSIBILITY OF XCSS TAKING UP PROBLEMS OF STRUCTURAL ADJUSTMENT. SALZMAN

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